

**World
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Review**

Anti-counterfeiting 2018



**Fast fashion and IP regulation: will fast
fashion kill the golden goose?**

McCarter & English, LLP

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A Global Guide



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Fast fashion and IP regulation: will fast fashion kill the golden goose?

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The global fashion industry is a dynamic and fast-paced juggernaut, a major economic force generating billions of dollars in revenue and employing millions of workers in creative, marketing, sales and manufacturing capacities worldwide. Nonetheless, compared to other forms of artistic expression – such as literature, music, films and theatrical works – fashion designs are left with limited IP rights and protection.

The United States especially has shown an unwillingness to address the issue of protecting fashion designs beyond the traditional enforcement mechanisms. Many critics argue that fashion designs are not art, and therefore do not require similar protection, or that current laws sufficiently protect apparel and luxury brands. Moreover, due to the rapid turnover of new fashion designs, IP protection is often useless, as registrations do not typically issue until after copied designs hit the market. However, these arguments ignore the pressures that the fast fashion and counterfeit business models place on fashion companies and designers, both well-established and emerging, to remain innovative and relevant.

'Fast fashion' is the expedited production that aims to offer a vast selection of new trendy products to the market as quickly and cheaply as possible. Major fast fashion retailers include Forever 21, H&M, ASOS, Topshop and Zara. With a significant market share, these retailers have a cumulative and tremendous impact on

the market, disrupting the industry beyond just sales numbers (eg, affecting brands' profit margins and their design and marketing processes). They are agile enough to restock any store within 48 hours and turn designs into clothing within 10 days. Instead of operating with the traditional 'top-down' seasonal model of couture houses, they utilise a 'push-based' model where factories push products to stores for immediate sale, offering no options for customisation or products made to order.

In the past, fast fashion retailers merely created approximations of fashion designs or 'knock-offs'. However, advances in technology and social media platforms have not only enhanced global e-commerce, but have given rise to increased amounts of both counterfeits and fast fashion knock-offs. Today, fast fashion retailers are not only making similar designs, but are offering exact stitch-for-stitch replicas.

Quick turnaround is heightened by new software technologies that are used to copy and manufacture the latest designs. Mobile technology allows for photos, drawings and specs to be instantly delivered to overseas factories. Fashion shows are streamed online, and images of new designs are available before models take the last walk. With thousands of brick-and-mortar stores worldwide, combined with a strong online presence, fast fashion retailers reap the financial benefits of runway designs before the designers themselves have a chance to capitalise on their creations.

The ease of pirating fashion designs has far outpaced legal developments – especially in the United States – requiring fashion companies and designers to become more strategic in their approach to IP protection. These industry trends, together with inconsistent IP laws across the globe, are leaving fashion and luxury brands with tough decisions on which rights to enforce, whom to pursue and in which countries to carry out enforcement.

Copyright – the defence for fast fashion

At first glance, copyright appears to be the most efficient form of IP protection for fashion designs; however, the ambiguities within copyright laws limit the protection of these designs, with different results in different countries. Fast fashion retailers have sought to legitimise and defend their production and sale of copied designs. Forever 21 has been sued over 50 times by different designers and has never actually lost a case, instead resolving lawsuits in settlements. In 2017 the retailer found itself involved in three of the most significant fashion lawsuits of the year with adidas and Gucci, and it still has not been deterred from producing and selling its copies of fashion brands' products. In fact, in March 2017 Forever 21 went on the offence, making the bold decision to file suit against adidas, calling the German sportswear brand a “bully”. Following in the footsteps of Forever 21, H&M filed suit against Wildfox in October 2017. Industry insiders and IP lawyers alike are keeping a cautious eye on these cases to see which way the IP pendulum may swing.

Jurisdictional comparison of copyright law

Given that the fashion industry originated in France, it is unsurprising that France is the only country providing full copyright protection to fashion designs. French copyright laws protect “any original work expressed in any form”. The French system provides copyright protection regardless of the medium of the work. In addition: “originators of all creations of form, even the most modest, receive a generous bundle of economic and moral rights for a term of life plus fifty years from creation.”

Toward the other end of the spectrum, copyright laws in the United States offer minimal protection. To be sure, the United

States has attempted to close the gap. But all proposed new copyright laws or other legislative efforts designed to protect fashion designs have failed to be enacted. In 2012 Congress considered enacting the Innovative Design Protection Act to protect fashion designs for three years. Specifically, it would have extended protection to “the appearance as a whole of an article of apparel, including its ornamentation”. However, with the bill's failure, one is left to rely on the old laws.

In the United States, functional objects such as articles of clothing are not protected by copyright. However, under the concept of separability, copyright may protect authorship in pictorial, graphic or sculptural designs that can be identified separately from or exist independently of the utilitarian aspects of the article (ie, when the design can be separated from the garment and stand on its own as a copyrightable work).

Separability in the United States

Physical or conceptual separability may become a more prevalent factor in enforcement strategies in light of a recent US Supreme Court case. The aesthetic feature(s) of the article must be independent or separable from the functional elements to be a protected work of art.

The Supreme Court in *Star Athletica v Varsity Brands* clarified the test for separability, stating: *A feature incorporated into the design of a useful article is eligible for copyright protection only if the feature (1) can be perceived as a two- or three-dimensional work of art separate from the useful article, and (2) would qualify as a protectable pictorial, graphic, or sculptural work – either on its own or fixed in some other tangible medium of expression – if it were imagined separately from the useful article into which it is incorporated.*

While it remains to be seen whether the trial court will determine the cheerleading uniforms in question are sufficiently original to be protected, the implications of the Supreme Court's holding that the relatively simple chevron decorations on the uniforms were separable and eligible for protection were viewed by many as a significant win for the fashion industry. Of course, this also



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reinforced the opposing view that sufficient IP protection already exists for designers if courts apply the law.

But therein lies the problem – applying the existing IP laws does not necessarily protect designers from blatant and purposeful copying. For example, following the *Star Athletica* decision, Puma brought suit against Forever 21 seeking an injunction, claiming the retailer was selling lookalike versions of footwear from Rihanna's Fenty line with Puma. The lawsuit claimed design patent, trade dress and copyright

infringement. But most importantly, this is one of the first cases to apply the separability test as defined in *Star Athletica*, alleging:

The Fenty Copyrights (1) can be perceived as two- or three-dimensional works of art separate from the Fenty Shoes and (2) would qualify as protectable pictorial, graphic, or sculptural works- either on their own or fixed in some tangible medium of expression.

Unfortunately for Puma, a California federal judge refused to issue the injunction against



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Forever 21, marking an even more momentous win for fast fashion retailers, perpetuating the idea that infringing designs are acceptable.

Trademarks and trade dress

Trademark law covers both trademarks and trade dress, the latter being the total image or overall appearance of a product, including features such as shape, size, colour, colour combinations, textures or graphics. Trade dress offers some protection, but only where the design (eg, a unique purse) has achieved recognition (ie, secondary meaning) among consumers through widespread marketing, sales and duration in the market. Of course, establishing this trademark status often occurs only after the designer is copied. Both serve as source identifiers to protect consumers from marketplace confusion and deception. Trademarks do not protect the product as a whole, but rather the logo or branding affixed to the product. Consequently, established and well-recognised brands and emerging designers are further tasked with developing a signature style or product unique to their brand, which consumers can quickly identify. Otherwise, imitators will replicate the entire design besides the trademark.

Therefore, trademarks provide minimal protection against fast fashion copying. Instead, trademarks provide the most

protection against counterfeits, particularly in regards to luxury fashion where infringers take advantage of brand reputation.

Counterfeits

The counterfeit industry is another egregious attack on fashion and luxury brands, as it dumps millions of fakes – including exact replicas bearing registered trademarks – into the streets and consumers' homes. The industry is estimated to generate more than \$400 billion annually. Fashion companies and designers should register their brand names as trademarks to deter counterfeiting. Ideally, one should prioritise those countries where the brand is or imminently will be sold or manufactured. While certain jurisdictions recognise common law rights, registration provides the most protection; having an already registered trademark means there is no battle over who has the rights. Filing a trademark early may also prevent trademark squatting. While these filing strategies are essential for combating the counterfeit business, it is only half the battle facing most popular brands today.

Globalisation of fast fashion and limits of trademark law

As opposed to counterfeit vendors selling fake goods online or in the streets, fast fashion retailers pose different problems, serving as hubs bursting with copycat designs that are readily available to consumers at substantially lower prices. Not only has e-commerce attributed to a spike in sales of copycat designs; fast fashion retailers are also constantly opening new physical stores. For example, Zara, H&M and Forever 21 are present in almost every mall or major city. Topshop is located in prime locations such as Fifth Avenue in New York and Oxford Circus in London. Research has shown that some e-commerce fast fashion retailers present an astounding 700 new styles per week.

Design protection

Design patents

In an effort to address the above shortcomings of copyright and trademark laws, patents – specifically, design patents – are becoming increasingly popular in the fashion world. They are used to protect the ornamental or decorative aspect of functional items. For

instance, hardware on a handbag can be protected using a design patent. While design patents are increasing in popularity in fashion houses, obtaining a design patent can be a lengthy process, often resulting in patents issuing after copies flood the market.

The reliability of design patents in the fashion industry recently came under question following the 2016 *Apple v Samsung* US Supreme Court decision. Writing for the court, Justice Sotomayor directed a federal appeals court to consider whether Apple should be able to recoup profits attributable only to particular components rather than the design as a whole. The significance was not lost on the industry, as many fashion companies filed an *amicus* brief in support of Apple in a battle among tech giants.

Design protection

To address copying of designs more fully, some countries are leading the way by adopting a new type of protection, sometimes simply referred to as ‘design rights’ or the ‘design law’. In 2001 the European Union recognised an expansive definition of ‘design’:

The appearance of a whole or part of a product resulting from the features of, in particular, the lines, contours, shape, texture and/or materials of the product itself and/or its ornamentation.

This concept has since been adopted by Japan, Brazil, India and Israel.

Under EU law, design protection exists as a registered or unregistered right. A registered right protects original designs for a renewable period of five years, with a maximum duration of 25 years from the original filing date. An unregistered right protects designs from blatant copies for a maximum of three years from the date the design was first made available to the public. As a result, the new design laws offer protection from infringers to both registered and unregistered designs. In addition, both design rights and copyright can protect fashion designs in countries that allow for cumulative protection.

In Japan by comparison, design law is determined by the Design Act. Under the Design Act only registered designs are legally protectable. Protection may still be provided under unfair competition law if the infringing

garment is a dead copy of the original garment and if the infringing copy would raise confusion with the original garment in the minds of consumers.

Due to the rapid global expansion of e-commerce platforms (including mobile shopping apps) and social media, brands are increasingly active in multiple markets. Virtual shopping and social media present the latest styles and trends to consumers at a faster pace than ever before, requiring fashion houses to accelerate the process from design to production to the shelves.

Further complicating the new landscape, the legal framework to combat copying varies from country to country, with some improving and others in flux. Some jurisdictions have become, or may become, more desirable forums to enforce rights. Unlike the European Union, Japan or other countries that have enacted newer design laws, the United States has failed to keep pace in protecting designs, creating a gap that brands and their attorneys must confront. In a country that has one of the world’s leading fashion centres, unparalleled marketing and consumer brand awareness and tremendous trademark and patent filing activity, this lack of protection creates significant inconsistencies in global IP regulation and even more challenges for established fashion houses and young designers alike. With different laws among key countries, luxury brands and designers are now compelled to choose where they will enforce their rights: the United States, Europe or elsewhere where laws may be more favourable. **WTR**

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